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Apache Executive's Departure Sparks Worst Rout Since 2016 (2)

- Oil producer's vaunted worldwide exploration chief resigns
- Steven Keenan was hand-picked to join Apache after EOG success

By Rache Adams—eard

(Bloomberg) —The high-profile resignation of Apache Corp.'s most important exploration ventures has stepped down. The company's shares and bonds tumbled, and the cost to insure against default surged.

Steven Keenan, Apache's senior vice president of worldwide exploration, resigned two days ago, company spokesman Phil West said in an email on Friday. The resignation's departure may fuel concerns about the fate of Apache's search for crude in Suriname, adjacent to an Exxon Mobil Corp. discovery that's one of the world's biggest finds in years.

"Mr. Keenan's resignation is not connected to Suriname," West said. "The director sits above the first target zone in the Suriname well."

Apache may provide an update on the progress of its exploratory efforts across the 1.4 million-acre offshore tract known as Block 58 as soon as Oct. 30, when the Houston-based company is scheduled to report third-quarter results.

The shares fell as much as 11% on Friday for the biggest intraday drop since January 2016. The stock was down 5.6% to \$21.93 at 1:34 p.m.

The cost to insure against an Apache default jumped to the highest since August 2016. Five-year credit default swaps tied to the company were among the worst performers in the investment-grade CDS market, widening to as much as 31 basis points on a day when the overall market tightened by 1.2 basis points.



Steven Keenan

Source: Apache

'Investment Case'

The yield on Apache's most actively traded bond, 4.375% notes that mature in 2028, widened by 21 basis points, according to TRACE, and were among the most actively traded notes in the investment-grade market.

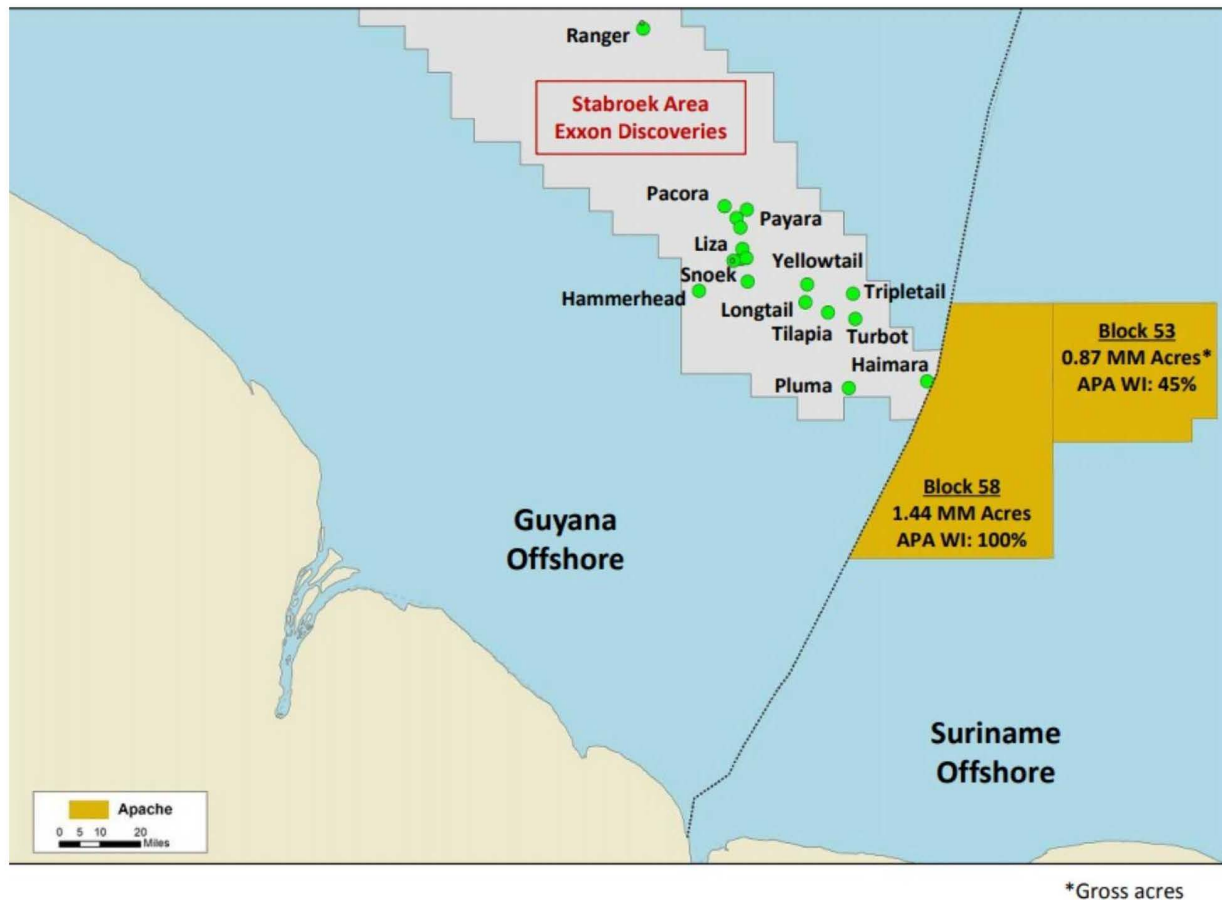
As recently as last week, Bank of America Merrill Lynch touted the Suriname prospect as potentially game-changing for Apache.

It "has potential to reset the investment case," Merrill Lynch's veteran oil industry analyst Doug Leggate said in an Oct. 18 note to clients. On the strength of that thesis, Leggate upgraded his rating on the stock and said a strong good week could translate into a \$6-a-share benefit for Apache.

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Keenan was hand-picked by Apache's then Chief Executive Officer Steve Farr in 2014 to replicate the dramatic discoveries he oversaw for EOG Resources Inc. in the Eagle Ford shale basin in South Texas.

Not long after he joined Apache, the company announced its Apache High discovery in the drilled corner of the Permian Basin in West Texas. At the time, the company said the pay held 3 billion barrels of crude and 75 trillion cubic feet of gas.

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But Apache's stock has underperformed rival producers since it first touted the Apache High find, which turned out to be far richer in gas than more valuable crude.

(Adds timing of exploration chief's departure in second paragraph.)

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